



TAX BULLETIN 03-3

Virginia Department of Taxation

February 18, 2003

IMPORTANT INFORMATION REGARDING 2002 VIRGINIA INCOME TAX RETURNS

AVIAN INFLUENZA INDEMNIFICATION PAYMENTS

Under emergency legislation passed by the 2003 General Assembly and signed by Governor Warner, indemnification payments received by contract poultry growers and table egg producers from the U.S. Department of Agriculture as a result of the depopulation of poultry flocks because of low pathogenic avian influenza in 2002 will not be subject to Virginia income taxation. This notice is intended to provide taxpayers with an update on how to reconcile this legislation on their 2002 Virginia income tax return.

Effective for taxable years beginning on and after January 1, 2002, but before January 1, 2005, an individual and corporate income tax subtraction is available for indemnification payments received by qualified contract poultry growers and table egg producers as a result of the depopulation of poultry flocks because of avian influenza in 2002. Indemnification payments made to owners of poultry who contract with poultry growers do not qualify for this subtraction.

Taxpayers Who Have Not Yet Filed

Individuals

Individuals who have received an indemnification payment and are eligible for the subtraction should claim this subtraction as an Other subtraction with Code 99 on Lines 6b-6d of Schedule ADJ for Form 760. In addition, the Department recommends that individuals claiming this subtraction attach a brief explanation to their income tax return indicating that they received an indemnification payment, the amount of such payment, and that they are a qualified contract poultry grower or table egg producer. Attaching this explanation will allow the income tax return to be processed more efficiently.

Part-year residents and nonresidents who have received an indemnification payment and are eligible for the subtraction should also claim this subtraction as an

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Other subtraction. Part-year residents may claim this subtraction with Code 99 on Lines 44a-44c of Form 760PY. Nonresidents may claim this subtraction with Code 99 on Lines 39a-39c of Form 763. As with resident individuals, the Department recommends that all individuals claiming this subtraction attach a brief explanation to their income tax return indicating that they received an indemnification payment, the amount of such payment, and that they are a qualified contract poultry grower or table egg producer. Attaching this explanation will allow the income tax return to be processed more efficiently.

Corporations

Taxpayers who have received an indemnification payment and are eligible for the subtraction should claim this subtraction as an Other subtraction on Line 36 of Part II of Form 500. In addition, the Department recommends that taxpayers claiming this subtraction attach a brief explanation to their income tax return indicating that they received an indemnification payment, the amount of such payment, and that they are a qualified contract poultry grower or table egg producer. Attaching this explanation will allow the income tax return to be processed more efficiently.

Taxpayers Who Have Already Filed

Individuals

Individuals who have already filed a 2002 individual income tax return and are eligible for the subtraction should file an amended 2002 Virginia individual income tax return. For Virginia residents, instructions for filing an amended return are found on Page 21 of the Form 760 Instructions. **Please remember to fill in the oval at the top of Page 1 to indicate that the return is an amended return.** Taxpayers should completely fill out the form and claim the subtraction as described above.

For nonresidents, instructions for filing an amended return are found on page 18 of the Form 763 Instructions. Instructions for part-year residents filing an amended return are found on page 22 of the Form 760PY Instructions.

Corporations

Corporations that have already filed a 2002 corporation income tax return and are eligible for the subtraction should file an amended 2002 Virginia corporation income tax return. Amended corporation income tax returns are filed using Form 500X, the Amended Virginia Corporation Income Tax Return. Corporation income taxpayers should follow the instructions for Form 500X and claim the subtraction as a change in Net Virginia Modifications on Line 2, Column B.

If you have any additional questions, please contact us at (804) 367-8031 for individual income tax questions or (804) 367-8037 for corporate income tax questions.